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OFFICE OF
INSURANCE COMMISSIONER

TECHNICAL ASSISTANCE ADVISORY
T 02-04

TO: Long-Term Care Insurers

SUBJECT: Limited Premium Payment Options for Long-Term Care Contracts

DATE: October 15, 2002

The Office of the Insurance Commissioner is revising review procedures for Long-Term Care (LTC) contracts with limited premium payment options. Policy filings with premium payment options such as "single premium," "20 pay," and "10 pay" will now be considered for approval subject to the following conditions:

- The premium paying period must be stated and guaranteed in the policy form and specified in the application or in the enrollment form.
- Under WAC 284-60-040(1), policy forms must be grouped by the number of years of premium payments or by the age at which the policy becomes paid up.
- The experience records required by WAC 284-60-070 must be maintained for each group separately.
- Rate changes must be based upon each group's experience. If the experience is not credible (either on a state or nationwide basis), a rate change may be based on a change in underlying pricing factors (e.g., general inflation of nursing home charges). The filing must satisfy the Commissioner that the change is nonrandom, previously unanticipated, and applicable to the group.
- The carrier must provide a statement that they expect a favorable opinion from the valuation actuary considering the following:
 1. Reserves for each group are adequate and reasonable with consideration given to anticipated future gross premiums, claims and expenses.
 2. The analysis of reserve adequacy must not anticipate rate increases that have not been approved.
 3. If a policy offers a nonforfeiture benefit, its reserve must not be less than the net single premium for that benefit.

These procedures apply to filings received after the issue of this Advisory, including subsequent changes to any previously approved filings.

For specific questions or additional information, please contact Lee Michelson at 360-725-7130 or e-mail at LeeM@OIC.WA.GOV or go to the OIC website at www.insurance.wa.gov.